

# WEEKLY REPORT

## ARIZONA STATE RETIREMENT SYSTEM

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### ASRS Board

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*For the week ending Friday, February 21, 2003*

Weekly Report is published by the Arizona State Retirement System and provides a summary of legislation that pertains to the ASRS, as well as up-to-date ASRS news. We hope you find it useful. Included is a Quick Reference summary. If there are issues you'd like addressed, please let us know.

**\*\*\* Please distribute or make available this report to your employees. \*\*\***

### Recent ASRS News:

Ms. Kelly Orrick began work this week at the ASRS as the new Government Relations Officer. If you have questions related to legislation, you can reach her at (602) 240-2027 or via email at [kellyo@asrs.state.az.us](mailto:kellyo@asrs.state.az.us)

The next ASRS Board meeting is scheduled for March 21, 9:30 a.m., in the ASRS Tucson office, 7660 E. Broadway Blvd. Meetings are always open to the public and your attendance is encouraged. Board meetings, agendas and minutes can be found on the ASRS website.

### ASRS Legislation

HB 2349 related to public retirees and rural health insurance subsidy was amended in the House Government and Retirement Committee this week to reduce the amount of the rural health subsidy by 10% in fiscal year 04 and 15% in fiscal year 05. The following charts reflect the amounts of the rural health subsidy proposed by HB 2349.

#### **HB2349 As Introduced**

	Without Medicare	With Medicare
Retiree Only	\$300	\$170
Retiree & Dependents	\$600	\$350
Retiree & Dependents (one with Medicare, the other without)	\$470	\$470

#### **HB 2349 As Amended in House Government and Retirement Committee (02/18/03)**

	FY04 Without Medicare	FY05 Without Medicare	FY04 With Medicare	FY05 With Medicare
Retiree Only	\$270	\$230	\$153	\$130
Retiree & Dependents	\$540	\$459	\$315	\$268
Retiree & Dependents (one with Medicare, the other without)	\$423	\$360	\$423	\$360

Other legislation affecting the ASRS is listed in the attached Quick Reference.

**Quick Reference**  
ASRS Related Retirement Legislation  
(For the Period Ending Friday, February 21, 2003)

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
<b>HB 2023 – ASRS; unpaid contributions</b> by Huppenthal <b>As Passed the House:</b> Provides a member with 90 days to make payments after being notified that the employer has paid all amounts past due. If the member does not pay within 90 days, the member is responsible for accrued interest from that point on. Provides an employer with 90 days to make payments after being notified of the amount due. If the employer does not pay within 90 days, the employer is responsible for any accrued interest until the amount is paid in full. Requires an employee to provide verification of past employment and qualification for participation in ASRS. States that, beginning June 30, 2004, the employer is only responsible for making payments for any unpaid contributions and interest for service which occurred within 15 years of the date of notification. Allows a member to purchase service that was worked prior to the 15-year limit as “other public service.”	Passed House 56-0-2. <b>Assigned:</b> <u>Sen. FIN.</u> <b>Status:</b> Sen. First Read 02/05/03. <u>Awaiting Sen. FIN.</u>	<b>As Passed the House:</b> None Expected.	<b>As Passed the House:</b> Actuarial letter received stating no cost.
<b>HB 2024 (see SB 1224) – ASRS; service purchase; calculation</b> by Huppenthal <b>As Passed the House:</b> Contains an emergency clause. Defines “current annual compensation” used in calculating the cost of purchasing service credit as the greater of: <ol style="list-style-type: none"> <li>1. The sum of the 12 months of compensation prior to the request.</li> <li>2. The sum of the 36 months of compensation prior to the request, divided by three.</li> <li>3. If the member has retired from an ASRS employer, the average monthly compensation used to calculate the member’s last pension, times 12.</li> <li>4. The annualized compensation of the full pay period prior to the request.</li> <li>5. The annualized compensation of the partial year prior to the request, if the member has less than 12 months of service.</li> </ol>	Passed House 57-0-1. <b>Assigned:</b> <u>Sen. FIN.</u> <b>Status:</b> Sen. First Read 02/04/03. <u>Awaiting Sen. FIN.</u>	<b>As Passed the House:</b> None Expected.	<b>As Passed the House:</b> Actuarial letter received stating no cost.
<b>HB 2067 – ASRS; technical correction</b> by Huppenthal <b>As Introduced:</b> Makes a technical change to 38-742 “reinstatement.”	<b>Assigned:</b> Hse. RULES. <b>Status:</b> Awaiting Hse. RULES.	<b>As Introduced:</b> None Expected.	<b>As Introduced:</b> None.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
<b>HB 2349 (see SB 1036) – public retirees; rural areas; insurance</b> by Konopnicki, Flake, Wagner, Arzberger, and Brown <b>As Introduced:</b> Extends the rural health insurance subsidy until 2005. Includes counties with a population less than 200,000 in the definition of “nonservice area.” <b>As Amended in Hse. GR:</b> Reduces the amount of the subsidy by 10% in FY04 and an additional 15% in FY05.	<b>Assigned:</b> Hse. HEALTH, Hse. GR, Hse. APPROP. <b>Status:</b> Passed Hse. HEALTH DP 12-0. <u><b>Passed Hse. GR DPA 12-0. Awaiting Hse. APPROP.</b></u>	<b>As Introduced:</b> None Expected.	<b>As Introduced:</b> Unfunded liability of \$37.3 million, an increase in the contribution rate for all employers and employees of 0.027% each, which is a combined cost of \$3.7 million more in contributions annually for 18 years (GF cost of \$425,116 per year).
<b>HB 2397 (see SB 1296) – public monies; investment protection</b> by Yarbrough, Martin, Huppenthal, and 4 <b>As Introduced:</b> Requires asset managers and financial firms that invest or manage money on behalf of the state to make reports every July 1 and January 1 to the entity on whose behalf they are handling the money. The reports must include details of whether investment is made in companies with ties to federally designated terrorist-sponsoring countries and steps the companies take to see that their technologies are not used for non-civilian purposes.	<b>Assigned:</b> Hse. WM. <b>Status:</b> <u><b>Scheduled Hse. WM 02/25/03.</b></u>	<b>As Introduced:</b> Requested.	<b>As Introduced:</b> Requested.
<b>HB 2398 – ASRS; long-term disability increase</b> by Carruthers, O'Halleran, Gullett <b>As Introduced:</b> Provides an increase to a member's LTD benefit equal to a benefit increase provided to a retired member of ASRS.	<b>Assigned:</b> Hse. GR, Hse. APPROP. <b>Status:</b> Awaiting Hse. GR.	<b>As Introduced:</b> Not requested.	<b>As Introduced:</b> Requested.
<b>HB 2401 – deferred retirement option plan</b> by Wagner, Quelland, Gray and 6 <b>As Introduced:</b> Provides a deferred retirement option plan option to members of the ASRS, PSPRS, and CORP.	<b>Assigned:</b> Hse. GR, Hse. APPROP. <b>Status:</b> Awaiting Hse. GR.	<b>As Introduced:</b> Not requested.	<b>As Introduced:</b> Requested.
<b>HB 2455 – ASRS; termination option</b> by Huppenthal <b>As Amended in Hse. GR:</b> Makes technical changes to the Modified DROP Program.	<b>Assigned:</b> Hse. GR, Hse. APPROP. <b>Status:</b> <u><b>Passed Hse. GR DPA 10-0-0-2. Scheduled Hse. APPROP 02/25/03.</b></u>	<b>As Introduced:</b> None Expected.	<b>As Introduced:</b> None.
<b>HCR 2002 – impeachment; public retirement systems; forfeiture</b> by Huppenthal <b>As Introduced:</b> Constitutional amendment to allow the senate to require an impeached official to forfeit their public retirement benefits from the office for which they were impeached.	<b>Assigned:</b> Hse. GR, Hse. JUD. <b>Status:</b> Awaiting Hse. GR.	<b>As Introduced:</b> None Expected.	<b>As Introduced:</b> None.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
<b>HCR 2029</b> – public monies; investment protection by Nichols, Verschoor <b>As Introduced:</b> Urges all asset managers and financial firms that invest or manage monies on behalf of the state to submit semiannual reports concerning companies engaged in business practices within a country designated by the United States Department of State as one that supports terrorist activities.	<b>Assigned:</b> Hse. GR, Hse. APPROP. <b>Status:</b> <u>Passed Hse. GR DP 10-0-0-2.</u> <u>Awaiting Hse. APPROP.</u>	<b>As Introduced:</b> Requested.	<b>As Introduced:</b> Requested.
<b>SB 1036 (see HB 2349)</b> – public retiree health insurance subsidy by Arzberger and 23 <b>As Introduced:</b> Extends the rural health insurance subsidy until 2004. Includes counties with a population less than 200,000 in the definition of “nonservice area.”	<b>Assigned:</b> Sen. FIN. <b>Status:</b> HELD Sen. FIN 02/10/03. <u>HELD Sen. FIN 02/17/03.</u> <u>Scheduled Sen. FIN 2/24/03.</u>	<b>As Introduced:</b> None Expected.	<b>As Introduced:</b> Unfunded liability of \$18.8 million (one year extension), an increase in the contribution rate for all employers and employees of 0.014% each, which is a combined cost of \$1.9 million more in contributions annually for 18 years (GF cost of \$216,569 per year).
<b>SB 1037</b> – ASRS; surviving spouses; health insurance by Arzberger and 17. <b>As Amended in Sen. FIN:</b> Provides a retiring member who selects a joint and survivor or period certain annuity the ability to select an optional health insurance subsidy that continues to the surviving spouse after the member’s death.	<b>Assigned:</b> Sen. FIN. <b>Status:</b> Passed Sen. FIN DPA 5-3-1. Awaiting Sen. RULES.	<b>As Amended:</b> Requested.	<b>As Amended:</b> Requested. Awaiting official cost letter.
<b>SB 1160</b> – ASRS; veterans; service credits by Arzberger <b>As Introduced:</b> Requires the ASRS to recalculate the cost of military service purchased by members (active, retired, or deceased) prior to July 20, 1996, and refund any amounts, plus interest. Requires the ASRS to publish a notice of possible refund in 4 quarterly newsletters and 2 annual statements. Appropriates \$50,000 to the ASRS for making the recalculations.	<b>Assigned:</b> Sen. FIN, Sen. APPROP. <b>Status:</b> Awaiting Sen. FIN.	<b>As Introduced:</b> Requested.	<b>As Introduced:</b> Unfunded liability of \$628,050, and increase in the contribution rate for all employers and employee of .00045%. However, because the contribution rate is rounded, there will be no actual contribution rate change and therefore no cost.
<b>SB 1221</b> – ASRS; study committee; health costs by Arzberger, Aguirre, Brotherton <b>As Amended in Sen. FIN:</b> Creates a study committee on managing retiree health-care costs.	<b>Assigned:</b> Sen. FIN. <b>Status:</b> Passed Sen. FIN DPA 6-0-3. <u>Passed Sen. RULES PFC.</u> <u>Passed Sen. Caucus.</u> <u>Awaiting Sen. COW.</u>	<b>As Amended:</b> None Expected.	<b>As Amended:</b> None.

BILLS	BILL STATUS	ASRS ADMIN. COST	ACTUARIAL COST
<b>SB 1224 (see HB 2024) – ASRS; service purchase; calculation by Martin, Reagan</b> <b>As Amended in Sen. FIN:</b> Defines “current annual compensation” used in calculating the cost of purchasing service credit as the greater of: <ol style="list-style-type: none"> <li>1. The sum of the 12 months of compensation prior to the request.</li> <li>2. The sum of the 36 months of compensation prior to the request, divided by three.</li> <li>3. If the member has retired from the ASRS, the average monthly compensation used to calculate the member's last pension, times 12.</li> <li>4. The annualized compensation of the full pay period prior to the request.</li> <li>5. The annualized compensation of the partial year prior to the request, if the member has less than 12 months of service.</li> </ol>	<b>Assigned:</b> Sen. FIN. <b>Status:</b> Passed Sen. FIN DPA 8-0-1. <u><b>Passed Sen. RULES PFC.</b></u> <u><b>Passed Sen. Caucus.</b></u> <u><b>Passed Sen. COW</b></u> <u><b>DPA. Awaiting Sen. Third Read.</b></u>	<b>As Amended:</b> None Expected.	<b>As Amended:</b> None.
<b>SB 1225 – ASRS; investment management; requirement by Martin</b> <b>As Introduced:</b> Amends ARS 38-718 (3) to correct for the change in name of the organization responsible for awarding the chartered financial analyst designation from “institute of chartered financial analysts” to the “Association for Investment Management and Research.”	<b>Assigned:</b> Sen. FIN. <b>Status:</b> Passed Sen. FIN DP 8-0-1. <u><b>Passed Sen. RULES PFC.</b></u> <u><b>Passed Sen. Caucus.</b></u> <u><b>Awaiting Sen. Third Read.</b></u>	<b>As Introduced:</b> None Expected.	<b>As Introduced:</b> None.
<b>SB 1226 – ASRS; legal counsel by Martin</b> <b>As Introduced:</b> Exempts the ASRS from obtaining legal counsel only from the Attorney General.	<b>Assigned:</b> Sen. JUD, Sen. FIN. <b>Status:</b> Passed Sen. FIN DP 8-0-1. <u><b>FAILED Sen. JUD 3-4-2.</b></u> <u><b>Scheduled Sen. JUD 02/26/03.</b></u>	<b>As Introduced:</b> None Expected.	<b>As Introduced:</b> None.
<b>SB 1296 (see HB 2397) – public monies; investment protection by Martin, Stump, Yarbrough</b> <b>As Amended in Sen. FIN:</b> Asset managers and financial firms that invest or manage monies on behalf of the state are required to submit semiannual reports including a list of companies that have ties to terrorist countries, steps taken by these companies to ensure that the revenues it generates are not used by any government for terrorist activities, and other anti-terrorist provisions.	<b>Assigned:</b> Sen. FIN. <b>Status:</b> <u><b>Passed Sen. FIN DPA 7-1-1.</b></u> <u><b>Scheduled Sen. RULES 02/24/03.</b></u>	<b>As Introduced:</b> Requested.	<b>As Introduced:</b> Requested.

## LEGEND

AMEND C&P	Constitutional and Proper as Amended by the House	HB	House Bill
	Rules Committee	HCR	House Concurrent Resolution
APPROP	Appropriations Committee	Hse.	House of Representatives
ASRS	Arizona State Retirement System	JUD	Judiciary Committee
C&P	Constitutional and Proper	LTD	Long Term Disability
CORP	Corrections Officer Retirement Plan	PFC	Proper for Consideration
COW	Committee of the Whole	PFCA	Proper for Consideration as Amended by the Senate
DP	Do Pass		Rules Committee
DPA	Do Pass as Amended	PSPRS	Public Safety Personnel Retirement System
EORP	Elected Officials' Retirement Plan	SB	Senate Bill
FIN	Finance Committee	S/E	Strike Everything Amendment
GF	General Fund	Sen.	Senate
GR	Government and Retirement Committee	WM	Ways and Means Committee

**The weekly legislative report is available on-line at the ASRS Web site:  
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The ASRS External Affairs Division and the Legislative Board Committee meet during the legislative session. The meetings take place in the 14<sup>th</sup> floor conference room of the ASRS office at 3300 N. Central Ave., Phoenix, and are open to the public. The purpose of these meetings is to review legislative activity on retirement bills from the previous week, and to review the scheduled bill activity in committees and on the floor for the upcoming week. Committee members ask technical and background questions, and review the latest information gathered from the Capitol and retirement groups from around the state. Meetings are teleconferenced to the ASRS Tucson office at 7660 E. Broadway Blvd., Tucson. Meeting agendas and minutes will be posted on the ASRS website.